

TITLE 68 INDIANA GAMING COMMISSION

Emergency Rule LSA Document #16-_____

DIGEST

Temporarily adds rules regarding paid fantasy sports gaming. Statutory authority: IC 4-33-24-13. Effective upon filing.

SECTION 1. This document applies to paid fantasy sports operator licensees and paid fantasy sports operator applicants.

SECTION 2. The purpose of this document is to provide basic consumer protections and create a lawful and secure environment for Indiana residents to participate in paid fantasy sports.

SECTION 3. The definitions in this SECTION apply throughout this document.

(1) The definitions in IC 4-33-2, IC 4-33-24, IC 4-35-2 and 68 IAC 1 apply throughout this document.

(2) “Age verification” means a method, system or device used by a paid fantasy sports operator to verify the validity of a game participant’s age.

(3) “Paid fantasy sports contest platform” means a website, smart phone application or other portal providing access to a paid fantasy sports contest.

(4) “Dormant account” means a paid fantasy sports game participant account that has had no game participant activity for a period of one (1) year.

(5) “Geolocation” means the identification of the real-world geographic location of a paid fantasy sports game participant.

(6) “Minor” means persons under the age of 18.

(7) “Segregated account” means a financial account that segregates funds that are owned by paid fantasy sports game participants in the United States, such that the paid fantasy sports operator’s operational funds may not be comingled.

(8) “System administrator” means the IT department personnel responsible for the administration of the paid fantasy sports games.

(9) “Verification” means a method used by a gaming system or device to verify the validity of software of critical components.

SECTION 4. The executive director or the executive director’s designee may approve deviations from the provisions of this document upon written request by the person directly affected by the procedure or requirement if the executive director or the executive director’s designee determines that the:

(1) procedure or requirement is impractical or burdensome; and

(2) alternative means of satisfying the procedure or requirement:

(A) fulfill the purpose of the document;

(B) are in the best interests of the public and gaming in Indiana; and

(C) do not violate IC 4-33.

SECTION 5. Application by game operator. (a) To obtain a license to conduct paid fantasy sports, a game operator must submit a written application on the form or forms prescribed by the commission.

(b) The application shall include the following information:

- (1) The name and address of the game operator.**
- (2) The names, addresses, and telephone numbers of the officers of the game operator.**
- (3) The type of allowable games the game operator proposes to conduct.**
- (4) Sufficient facts relating to the game operator or the game operator's incorporation or founding to enable the commission to determine whether the organization is a qualified organization as defined in IC 4-33-24.**
- (5) Certification that the paid fantasy sports operator is licensed to transact business in Indiana.**
- (6) Verification that the requirements set forth in IC 4-33-24 have been met.**
- (7) Any other information required by the commission for the purpose of administering this document.**

(c) An applicant is under a continuing duty to disclose any changes in the information submitted to the commission.

SECTION 6. Denial of license. The commission may deny a license to a game operator if the commission determines any of the following: (a) **The applicant has violated a statute, regulation, rule, local ordinance, or other law providing for the best interests of paid fantasy sports.**

(b) The applicant has failed to pay the appropriate license fee.

(c) The applicant has made a misrepresentation or omission in its application to the commission.

SECTION 7. License fees. (a) The license fees described at IC 4-33-24-15 shall be paid at the time the application for licensure is submitted to the commission.

(b) If a game operator withdraws its application for an initial license or a license renewal, in writing, prior to issuance of the license or grant of the renewal, the commission shall refund the applicable license fee or renewal fee to the qualified organization. The game operator will still be required to pay for the outstanding cost of any investigation.

SECTION 8. If the executive director determines that a game participant or a game operator has violated this document or IC 4-33-24, the commission staff may initiate an investigation and disciplinary action under 68 IAC 13.

SECTION 9. (a) The game operator must submit for approval internal controls for the following:

(1) Procedures to handle different types of security incidents, including the following:

(A) System failures and loss of service.

(B) Malicious code detection.

(C) Denial of service.

(D) Errors resulting from incomplete or inaccurate business data.

(E) Breaches of confidentiality or integrity.

(F) Misuse of information systems.

(2) In addition to the normal contingency plans, these internal controls shall include the following:

(A) Analysis and cause of the security incident.

(B) Containment.

(C) Planning and implementation of corrective action to prevent recurrence.

(D) Communication with those affected by or involved with recovery from the security incident.

- (E) Reporting of the action to the executive director or executive director's designee.
- (3) Action to recover from security breaches and correct system failures shall be carefully and formally controlled; the procedures shall ensure the following:
- (A) Only clearly identified and authorized personnel are allowed access to live systems and data.
 - (B) Emergency actions taken are documented in detail.
 - (C) Emergency action is reported to management and reviewed in an orderly manner.
 - (D) The integrity of business systems and controls is confirmed with minimal delay.
- (4) Testing the integrity of the paid fantasy sports contest platform on an ongoing basis.
- (5) Completion of the required Internal Revenue Service forms when a game participant wins six hundred dollars (\$600) or more.
- (6) Identify and prohibit voluntarily excluded game participants.
- (7) Confirm age verification protocol to prohibit minors from participating in paid fantasy sports.
- (8) Instituting process to close out dormant accounts.
- (9) Verify geolocation system to establish game participant geographic location.
- (10) Segregating game participant account funds from paid fantasy sports operator's operational funds.
- (11) Maintaining the security of the identifying and financial information of paid fantasy sports game participants.
- (12) Prevent employees of the game operator, or a licensee with whom the game operator has entered into a contract, and any relative of an employee living in the household of the employee, from competing in a paid fantasy sports contest where the cash prize exceeds five dollars (\$5).
- (13) Prevent an owner, director, or officer of the game operator, or a licensee with whom the game operator has entered into a contract, from being a game participant in a paid fantasy sports game offered by the game operator.
- (14) Prevent employees of the game operator, or a licensee with whom the game operator has entered into a contract, from sharing confidential information that could affect paid fantasy sports game play with third parties until the information is made publicly available.
- (15) Prevent an individual who is a player, game official, or other participant in an actual sporting event or competition from participating in a paid fantasy sports game that is determined in whole or in part on the performance of that individual, the individual's actual team, or the accumulated statistical results of the sporting event or competition in which the individual is a player, game official or other participant
- (16) Disclose the number of paid fantasy sports games a single game participant may enter, and prevent game participants from entering more than the maximum number of allowed paid fantasy sports games
- (17) Maintain a reserve in the form of cash, cash equivalents, an irrevocable letter of credit, a bond or a combination of these sources that is equal to the amount of money deposited in paid fantasy sports game accounts of game participants.

(b) The applicant shall stamp or otherwise mark each page of the internal control procedures submitted to the commission with the word "CONFIDENTIAL" if the material submitted is not subject to disclosure under IC 4-33 or IC 5-14, or both.

SECTION 10. (a) For paid fantasy sports games played, the following information shall be

recorded, maintained, and easily demonstrable by the paid fantasy sports contest operator:

- (1) A unique game participant identification.**
- (2) The payable used.**
- (3) The game identifier and version.**
- (4) The date and time the game started and ended.**
- (5) The display associated with the final outcome of the game, either graphically or via a clear text message.**
- (6) The total game participant cash or credits at start and end of play.**
- (7) The total amount of cash or credits placed on the game.**
- (8) The total cash or credits won for the prize.**
- (9) The results of game participant choices involved in the game outcome.**
- (10) The amount of promotional awards received.**

(b) Game operators shall keep daily records of its operations and shall maintain such records for at least five years.

SECTION 11. The game operator must maintain and back up a log of game participant account activity.

SECTION 12. Game operators who were operating in Indiana on March 31, 2016, must provide written notice of their intent to conduct paid fantasy sports to the commission by August 1, 2016, in order to continue to operate. Game operators who were operating in Indiana on March 31, 2016, and who fail to submit a written notice of their intent to conduct paid fantasy sports by August 1, 2016, shall not operate after November 17, 2016, and may not operate in the future without complying with all the requirements of IC 4-33-24 and this document.

SECTION 13. This document shall take effect upon filing.